

TOWN OF NARRAGANSETT, RI PURCHASING DEPARTMENT

PROFESSIONAL AUDITING SERVICES AND AGREED-UPON PROCEDURES



Christine Spagnoli, Finance Director
Susan Gallagher, Purchasing Manager

Bid Opening: Wednesday, April 14, 2021 at 11:00 AM

VENDOR NAME SUBMITTING BID: _____

**TOWN OF NARRAGANSETT, RHODE ISLAND
REQUEST FOR PROPOSALS
PROFESSIONAL AUDITING SERVICES
AND AGREED-UPON PROCEDURES**

NOTICE

The Town of Narragansett is seeking proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2021, with the option of auditing its financial statements for each of the two subsequent fiscal years. These audits are to be performed in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants and the standards for financial audits set forth in the Government Auditing Standards issued by the Comptroller General of the United States.

The Auditors engaged to perform the annual audit of the Narragansett School Department shall also be engaged to report on their tests of compliance with the School Uniform Chart of Accounts (UCOA) requirements in an agreed-upon procedures compliance attestation format.

Specifications may be obtained at the Purchasing Office, 25 Fifth Avenue, Narragansett, Rhode Island between the hours of 8:30 a.m. and 4:30 p.m. **Monday through Friday** and are available on the Town of Narragansett website, www.narragansetttri.gov.

Pre-proposal questions: Questions relevant to the preparation of a competitive proposal must be submitted in writing to the below noted contact person by email no later than 4:00 p.m. on April 6, 2021. Responses to all written questions will be addressed in the form of an addendum and will be emailed to vendors and Auditor General as well as posted on the Town's website at: www.narragansetttri.gov. Please direct questions to Susan W. Gallagher, Purchasing Manager at sgallagher@narragansetttri.gov, 25 Fifth Avenue, Narragansett, RI 02882.

Separate sealed bids will be received by the **TOWN OF NARRAGANSETT, RHODE ISLAND** for **AUDITING SERVICES AND AGREED-UPON PROCEDURES** on or before **11:00 a.m. on Wednesday, April 14, 2021** at the office of the Purchasing Manager, 25 Fifth Avenue, Narragansett, RI and at that time will be opened and read in public.

Three copies of the proposal are to be submitted. All proposals must be submitted with the bid form provided, and clearly marked:

**(Sealed Bid)
AUDITING SERVICES AND AGREED-UPON PROCEDURES**

The Town of Narragansett reserves the right to reject any and/or all bids and reserves the right to award the bid to other than the low apparent bidder if the Town deems that the low apparent bidder does not possess the personnel, experience and other resources to complete the audit in accordance with the specifications herein. In any case, the reason for the Town's action will be documented.

Individuals requesting interpreter services for the hearing impaired must notify the Finance Department (401) 782-0644 three business days prior to the bid opening.

Susan W. Gallagher
Purchasing Manager

Due Dates for Completion of Audit and Delivery of Reports

1. An annual audit shall be completed and final audit reports (inclusive of all audit communications) related to the financial statements shall be delivered to the Town of Narragansett, State Auditor General and State Director of Revenue within six months after the close of the fiscal year for each year (as required by Section 45-10-5 of the General Laws of Rhode Island). Since Narragansett's fiscal year ends June 30, the reports must be filed by December 31 of each year. A copy of the final written correspondence and the Auditor's communication with those charged with governance, shall also be delivered to the State.

Term of Engagement

1. A three-year contract is contemplated, subject to the annual review and recommendation of the Finance Director with the concurrence of the Town Council and the Superintendent of the Narragansett School Department. Each year must be treated as a separate audit. The contract period shall not exceed three years.
2. Audit contracts covering more than one year shall specify an audit fee for each year and the number of hours included. The audit fee shall be inclusive of all expenses. **The audit fees are to be separated for the municipal costs, school costs, and enterprise funds costs as listed on the Bid Form.** Bids submitted in any other manner will not be accepted. The bid should specifically identify the fee for the audit services and the fee for agreed-upon procedures.
3. Any representations made with the submission will be relied upon and if proven to be false will be grounds for termination of the contract, if awarded. False representations will also be grounds for forfeiture of all payments under the contract. This will not limit the Town of Narragansett from seeking any other legal or equitable remedies.

Audit Standards

1. To meet the requirements of this request for proposals, the audit shall be performed in accordance with:

Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996, and the provisions of U.S. Office of Management and Budget (OMB) Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements.

2. The GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program (COMPREHENSIVE ANNUAL FINANCIAL REPORT Program) in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive

annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The COMPREHENSIVE ANNUAL FINANCIAL REPORT shall be in a format that meets the requirements of the GFOA for submission to this program.

Audit Scope

1. The Town of Narragansett desires the auditor to express an opinion on the fair presentation of its basic financial statements, which will include government-wide financial statements, fund financial statements, and notes to the financial statements in conformity with generally accepted accounting principles.
2. The auditor shall also be responsible for performing certain limited procedures involving required supplementary information as required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

Required Supplementary Information shall include:

- Management's Discussion and Analysis
 - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 - Schedules related to defined benefit pension plans and OPEB plans, if applicable
3. The Town of Narragansett also desires the auditor to express an "in-relation-to" opinion on the supplementary financial statements and schedules based on the auditing procedures applied during the audit of the basic financial statements.

Supplementary financial statements, schedules and information shall include:

- Combining fund financial statements shall be presented as supplementary information for all non-major governmental funds. Each non-major fund (included within the Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds) shall be presented as separate columns in the combining fund financial statements. Similarly, combining financial statements shall also be presented for each of the other fund types when there is more than one internal service fund, proprietary fund, and fiduciary fund.
 - Combining financial statements shall be presented for the General Fund when separate funds are maintained within the accounting system but the funds do not qualify as special revenue funds, in accordance with generally accepted accounting principles, and are merged with the General Fund for financial reporting purposes.
4. Other schedules may be required by the Town and/or the State of Rhode Island Director of Revenue, Auditor General, and Department of Education or as required by the applicable section of the general laws such as, Rhode Island General Law Section (RIGL) 45-10-6 (Contents of Audit Report).

- The Tax Collector's Annual Report shall be presented within Other Supplementary Information to meet the requirements of RIGL 45-10-6 for additional information to the basic financial statements. The Tax Collector's Annual report should be presented in accordance with the revised format requirements of the RI Department of Revenue - Division of Municipal Finance (contact the Division for the most current template). The auditors engaged to audit the municipality's financial statements shall also report on the Tax Collector's Annual Report, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").
- Municipal Transparency Portal (MTP) - Enacted legislation amended Rhode Island General Laws §45-12-22.2 and §44-35-10 to improve required reporting by creating the Municipal Transparency Portal (MTP) which will represent a centralized location for municipal financial information. Each municipality shall include their Annual Supplemental Transparency Report, MTP2, within their annual audited financial statements. This requires one schedule that includes (1) municipal reportable government services and (2) all school services (consistent with RIDE UCOA requirements). The Annual Supplemental Transparency Report, MTP2, included within the annual audit report shall also include reconciliation to the amounts included in the fund level financial statements. These two reports are due to their respective State Agencies by November 30.

The auditors engaged to audit the municipality's financial statements shall also report on the Annual Supplemental Transparency Report (including the reconciliations), MTP2, as supplementary information ("fairly presented in relation to the municipality's basic financial statements").

Auditors are not required to opine on the municipality's determination of "reportable government services" (RGS) as defined in Section 2.1 of the Municipal Transparency Portal Implementation Guidance. The municipality will make the determination of "reportable government services" for inclusion in the various reports required to be submitted through the municipal transparency portal. However, auditors will be expected to review the reconciliations as part of the Annual Supplemental Transparency Report, MTP2, (required for inclusion in the audited financial statements as supplementary information) to assess the inclusion of amounts reported which are not within the municipality's or school's general fund.

The format of the required MTP schedules and related reconciliations, as well as, the typical timeline for filing of the annual municipal data report and coordination with annual financial statement audit, are detailed in the MTP Implementation Guidance (available on the data.ri.gov Municipal Transparency Portal (MTP) website: [MTP Docs & Data | Rhode Island - Open Data \(ri.gov\)](#)).

The Independent Auditor's Report shall include reference to the Annual Supplemental Transparency Report, MTP2, as supplementary information. See the Municipal Transparency Portal Implementation Guidance for additional information.

5. If applicable, an audit of major programs shall be performed in accordance with the criteria outlined in OMB Guidance 2 CFR part 200 - Uniform Administrative

Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements.

- The auditors shall audit major programs as required by OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements and express an opinion on compliance for each major program.
 - Major programs shall be determined in accordance with guidance provided in OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements.
 - The auditor is not required to audit the supplementary schedule of expenditures of federal awards. However, the auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.
6. The auditor is not required to audit the statistical section of the report.
 7. The Town may send its comprehensive annual financial report (COMPREHENSIVE ANNUAL FINANCIAL REPORT) to the Government Finance Officers Association of the United States and Canada for review in its Certificate of Achievement of Excellence in Financial Reporting program. While all supplemental information including the Letter of Transmittal and the Statistical Section will be prepared by the Finance Department, it is expected that the auditor will be responsible for printing the COMPREHENSIVE ANNUAL FINANCIAL REPORT. The auditor will also be responsible for preparing the financial statements, based on trial balances prepared and provided by the Town, to meet the necessary guidelines of the program.
 8. Draft copies of all audit reports and management letters shall be submitted to the Finance Director of the Town prior to the exit conference so that there will be adequate time for review.
 9. Difficulties may be encountered in implementing and complying with specific reporting requirements mandated by the GASB. The auditor will be responsible to work with the Finance Director to ensure proper implementation and compliance with any new pronouncements effective during the contract.
 10. Report preparation, editing and printing shall be the responsibility of the auditor. COMPREHENSIVE ANNUAL FINANCIAL REPORT sections in the report will be prepared by the Town and delivered to the auditor for printing.
 11. A separate additional report is to be printed for the School Audit.
 12. In accordance with Government Auditing Standards, if the firm provides non-audit services, it must evaluate whether providing the services creates independence impairment with respect with the Audit of the Town of Narragansett.

Reports to be issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall report on:

1. The fair presentation of the financial statements in conformity with generally accepted accounting principles based upon an audit performed in accordance with generally accepted auditing standards *and Government Auditing Standards*. The auditor shall also make reference to, but not opine on, required supplementary information consistent with reporting guidance in the applicable AICPA Audit Guide,
2. Supplementary financial statements, schedules and information, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information shall include combining fund financial statements (and if applicable, General Fund combining financial statements), the Annual Supplemental Transparency Report (MTP2, including the reconciliations), and the Tax Collector's Annual Report.

If the supplementary schedule of expenditures of federal awards is issued with the financial statements, the auditor is to provide an "in-relation-to" opinion on that schedule, based on the auditing procedures applied during the audit of the financial statements.

3. Internal control over financial reporting and on compliance and other matters based upon an audit of financial statements performed in accordance with *Government Auditing Standards*,
4. Reports and summaries related to federal financial assistance as required by OMB Guidance (the auditor should refer to applicable OMB guidance in effect and the applicable AICPA Audit Guide for reporting guidance),
 - a. a completed Form SF-SAC, "Data Collection Form for Reporting on Audits of State, Local Governments and Non-Profit Organizations" to be submitted in accordance with the current method of submission for Form SF-SAC and Single Audit reporting packages (per OMB public Notice), to the Federal Audit Clearinghouse Internet Data Entry System,
 - b. If the supplementary schedule of expenditures of federal awards is issued separately from the financial statements, the auditor is to provide an "in-relation-to" opinion on that schedule, based on the auditing procedures applied during the audit of the financial statements.
5. Other reports that may be requested by the Director of Revenue and/or Auditor General or as required by the applicable section of the general laws.

In the required reports on internal controls, the auditor shall communicate any significant deficiencies found during the audit. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Significant deficiencies that are also material weaknesses shall be identified as such in the report.

Other matters, for example, control deficiencies that are not significant deficiencies or material weaknesses discovered by the auditor shall be reported in a separate letter to management.

The report on compliance shall include all material instances of noncompliance. All nonmaterial instances of noncompliance shall be reported in a separate management letter.

The management letter should include comments, and/or recommendations beyond those included in the reports described above, on such matters as:

1. policies, procedures and practices employed by the municipality and by the School Department,
2. weaknesses in the internal controls that are not "significant deficiencies,"
3. use of resources to provide a governmental service in a reasonable, judicious, economical, and efficient manner, and
4. compliance with state laws pertaining to the municipality and with rules and regulations established by the municipality.

Upon completion of the audit, the management letter will be submitted to the Finance Director of Narragansett, with copies to the Director of Revenue and the Auditor General.

A copy of the final written correspondence, The Auditor's Communication with Those Charged with Governance, shall also be delivered to the State Auditor General.

Fraud and illegal acts. Auditors shall be required to make an immediate, written report of all fraud and illegal acts of which they become aware to the following parties:

- 1) Town Manager
- 2) Town Council

Scope of Agreed-Upon Procedures Engagement for the Uniform Chart of Accounts (UCOA)

The Narragansett School Department utilizes the Uniform Chart of Accounts (UCOA) as promulgated by the Auditor General and Commissioner of Education in accordance with Rhode Island General Law 16-2-9.4.

Each municipal school district, regional school district, collaborative or charter school, which is required to adopt the Uniform Chart of Accounts (UCOA), shall have additional compliance testing procedures designed to assess compliance with UCOA requirements and the entity's effectiveness of internal control over compliance with those requirements.

The Auditor engaged to perform the annual audit of the entity shall also be engaged to report on their tests on compliance with UCOA requirements in an agreed-upon procedures compliance attestation format.

The Agreed-Upon Procedures are attached. Please note that the agreed-upon procedures may be subject to subsequent modification.

Eight (8) copies of the final agreed-upon procedures report on the School Department's compliance with the Uniform Chart of Accounts shall be delivered to: Director of Finance and Administration, Narragansett School System, 25 Fifth Avenue, Narragansett, RI 02882.

Auditors should have performed the test work necessary to complete the UCOA Agreed-Upon Procedures before issuing the audited financial statements. The agreed-upon procedures report, along with the audited financial statements, shall be provided to the Rhode Island Department of Education and the Office of the Auditor General at the conclusion of the annual audit or the revised timeline established by the Rhode Island Department of Education and the Office of the Auditor General.

Schedule for Fiscal Year 2021 Audit

The following shall be completed by the auditor no later than the dates indicated: (Note: A similar schedule will be developed for audits of future fiscal years if the Town of Narragansett exercises its option for additional audits.)

1. Interim Work:
The auditor shall complete all interim work by July 22, 2021.
2. Detailed Audit Plan:
The auditor shall provide the Town by June 18, 2021, both a detailed audit plan and a list of all schedules to be prepared by the Town.
3. Fieldwork:
The auditor shall complete all fieldwork by November 1, 2021.
4. Draft Reports:

The auditor shall have drafts of the audit report(s) and recommendations to management available for review by the Finance Director by December 1, 2021.

Date Final Report is Due

The Finance Director shall prepare preliminary trial balances, and all required supplementary schedules by September 15, 2021. The auditor shall provide all recommendations, revisions and suggestions for improvement to the Finance Director by November 1, 2021. A draft auditor's report shall be delivered to the Finance Director by December 1, 2021.

The Finance Director will complete a review of the draft report as expeditiously as possible. During that period, the auditor should be available for any meetings that may be necessary to discuss the audit reports of the Town and School. Once all issues for discussion are resolved, the final signed report shall be delivered to the Finance Director. It is anticipated that this process will be completed and the final report delivered by December 23, 2021.

The final report, 20 signed copies, and an electronic version of the full report in "pdf" format suitable for posting on the Town's website and for the Town of Narragansett's submission to the Auditor General and the state Director of Revenue should be delivered to the Finance Director at 25 Fifth Avenue, Narragansett, RI 02882.

Access to Audit Information and Audit Documentation by Auditor General:

As required by Section 45-10-4 of the RI General Laws, it is understood that the contract between the municipality and the audit firm shall require the auditor or the audit firm to release any and all information obtained in the course of the engagement to the Rhode Island State Auditor General (or his designee). This information includes but is not limited to financial data, analysis, audit documentation, and memorandum. Audit documentation of the independent auditors shall be made available to the Auditor General (or his designee) upon request. The request for such information by the Auditor General shall be responded to promptly. Failure to provide this information shall constitute a breach of contract, and the contract shall give the Auditor General standing in a court of competent jurisdiction to enforce this provision.

General Requirements

Qualifications and Additional Information to be Provided to the Municipality

The following information must be contained in a written representation by the audit firm to the municipality:

- ❑ the current status of the professional license of the firm, partner-in-charge, and senior accountant in charge of the fieldwork. The selected firm shall be a firm of certified public accountants holding a valid certification in the State of Rhode Island. An affirmative statement should be included in the proposal, indicating that the firm and all assigned key professional staff are properly licensed to

practice in Rhode Island and that the senior accountant in charge of the fieldwork shall be a certified public accountant;

- ❑ staffing information including:
 - firm size,
 - number of staff allocated to the audit job,
 - relevant qualifications and experience of each person assigned to the audit job
- ❑ the audit firm shall have at the time of proposal, and throughout the period of engagement, professional liability insurance coverage of not less than \$1 million. The firm shall state the amount and type of professional liability coverage;
- ❑ identify sub-contractors, co-proposers, or other entity that will be used to provide the professional services sought by the request for proposal;
- ❑ a list of any professional complaints pending or resolved against the firm or any of its partners with the state boards of accountancy, or any self-regulatory, professional or government authority including but not limited to the AICPA, or Rhode Island Board of Accountancy;
- ❑ information regarding any lawsuits or claims against the firm, pending or resolved;
- ❑ a statement of relevant experience including a list of municipal or other governmental audits performed in the last five years;
- ❑ a statement that there exists no client conflicts which would inhibit the ability to perform the audit in accordance with professional standards;
- ❑ representation that any sub-contractors, co-proposers, or any other entity providing professional services under the engagement will be subject to, and will have met, all the same applicable requirements as the proposer.
- ❑ representation that the auditor is independent under the requirements of the American Institute of Certified Public Accountants and *Government Auditing Standards*;
- ❑ representation that the auditor meets the continuing educational requirements of *Government Auditing Standards*;
- ❑ representation that the auditor has an appropriate internal quality control system in place and has participated in an external quality control review program as required by *Government Auditing Standards*. The firm will provide a copy of its most recent external quality control review report and also submit the results of any subsequent review performed during the term of the contract; and
- ❑ representation that the auditor is familiar with generally accepted accounting principles for state and local government units and with the generally accepted auditing standards promulgated by the American Institute of Certified Public

Accountants; the standards for financial audits set forth in *Government Auditing Standards* issued by the Comptroller General of the United States; the Single Audit Act of 1984 as amended in July 1996 and the provisions of OMB Guidance 2 CFR part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance) - Subpart F – Audit Requirements and will conduct the audit and will report in accordance with those standards;

- ❑ a sample COMPREHENSIVE ANNUAL FINANCIAL REPORT must be enclosed for review. Include sample formats for required reports.
- ❑ Provide the following information on audit approach
 - a. Proposed segmentation of the engagement,
 - b. level of staff and number of hours to be assigned to each proposed segment of the engagement and expected completion date of the audit,
 - c. sample sizes and the extent to which statistical sampling is to be used in the engagement,
 - d. extent of use of software in the engagement,
 - e. type and extent of analytical procedures to be used in the engagement,
 - f. approach to be taken to gain and document an understanding of the Town of Narragansett's internal control structure,
 - g. Approach to be taken in determining laws and regulations that will be subject to audit test work, and
 - h. Approach to be taken in drawing audit samples for purposes of test compliance
 - i. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems and any special assistance that will be requested from the Town of Narragansett.

Fee Schedule

The proposal shall identify the fees to prepare the audit for the following:

Town accounts

Water Enterprise Fund

Sewer Enterprise Fund

Beach Enterprise Fund

Middlebridge Enterprise Fund
Federal Single audit
School department audit
Agreed-upon procedures fee

The fee schedule shall be submitted with the bid proposal and noted on the attached Bid Form.

The sealed dollar cost bid should contain all pricing information relative to performing the audit and agreed-upon procedures engagements as described in this request for proposals. The total all-inclusive maximum price to be bid is to contain all direct and indirect costs including all out-of-pocket expenses.

The Town of Narragansett will not be responsible for expenses incurred in preparing and submitting the technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

Rates for Additional Professional Services

If it should become necessary for the Town of Narragansett to request the auditor to render any additional services to either supplement the services requested in this request for proposals or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the Town of Narragansett and the firm. Any such additional work agreed to between the Town of Narragansett and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid. Firms may quote different prices for certain times of the year.

In accordance with Government Auditing Standards, if the firm provides non-audit services, it must evaluate whether providing the services creates independence impairment with respect with the Audit of the Town of Narragansett.

Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Interim billings shall cover a period of not less than a calendar month.

VIII. EVALUATION PROCEDURES

A. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and

price. The following represent the principal selection criteria, which will be considered during the evaluation process.

1. Mandatory Elements

- a. The audit firm is independent and licensed to practice in Rhode Island.
- b. The audit firm's professional personnel have received adequate continuing professional education within the preceding two years.
- c. The firm has no conflict of interest with regard to any other work performed by the firm for the Town of Narragansett.
- d. The firm submits a copy of its most recent external quality control review report and the firm has a record of quality audit work.
- e. The firm adheres to the instruction in this request for proposals on preparing and submitting the proposal.
- f. The firm's capacity to meet required deadlines (e.g. staffing levels and other government engagements with similar due dates).
- g. The firm's track record for meeting contractual deadlines for completion of audits.
- h. The firm's experience in producing Comprehensive Annual Financial Reports for a municipal clients that have subsequently received a Government Finance Officers Association's Certificate of Achievement Award for their COMPREHENSIVE ANNUAL FINANCIAL REPORTs.

2. Technical Qualifications:

a. General Qualifications and Experience

b. Governmental Expertise and Experience

- 1. The firm's past experience and performance on comparable government engagements including the issuance of a comprehensive annual financial report.
- 2. The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.

c. Audit Approach

- 1. Adequacy of proposed staffing plan for various segments of the Engagement.
- 2. Adequacy of sampling techniques.

3. Adequacy of analytical procedures.

4. Adequacy of number of hours proposed for engagement

3. Price

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM.

An evaluation committee will be comprised of individuals knowledgeable about auditing and financial reporting matters.

Proposals will be evaluated using the following scoring weights resulting in a maximum score of 100 points:

	Maximum points
Overall qualifications and experience of the firm and the specific engagement personnel to be assigned focusing on experiences with governmental entities and the specific line of business or services provided by the entity to be audited.	40
Overall audit approach and audit strategy described/outlined in the proposal and firm capacity to perform the engagement within the specified timeframe (prior experience of the firm in meeting timelines should be factored in here)	30
Audit fees - See formula for points awarded for audit fees (*) 30	30
Maximum evaluation points 100	100

* Evaluation technique – audit fees

Audit fee score = (lowest qualified bid/bid for firm being evaluated) X 30 points

Example: Assuming 3 bids received were: (firm A) - \$40,000, (firm B) - \$46,000, (firm C) - \$50,000

Firm A (the lowest bidder) awarded 30 points $\$40,000/\$40,000 \times 30 \text{ points} = 30$

Firm B awarded 26 points $\$40,000/\$46,000 \times 30 \text{ points} = 26$

Firm C awarded 24 points $\$40,000/\$50,000 \times 30 \text{ points} = 24$

An evaluation grid will be prepared summarizing the scoring by each member of the evaluation committee and the composite ranking. If any firm is disqualified and therefore not evaluated, the reason for such action shall be documented.

B. Oral Presentations

During the evaluation process, the Town may, at its discretion, request any one or all firms to make an oral presentation. Such presentation will provide firms with an opportunity to answer any questions the Town may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

C. Final Selection

The Town Council will select a firm based upon the recommendation of the Town Administrative staff and approval by the Rhode Island Auditor General's Office.

It is anticipated that a firm will be selected by May 3, 2021. Following notification of the firm selected, it is expected a contract will be executed between both parties by May 17, 2021.

D. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the Town of Narragansett and the firm selected.

The Town of Narragansett reserves the right without prejudice to reject any or all proposals.

TOWN OF NARRAGANSETT, RHODE ISLAND
B I D F O R M
AUDITING SERVICES AND AGREED-UPON PROCEDURES

Pursuant to and in compliance with the **NOTICE**, and the **INSTRUCTIONS TO BIDDERS** relating thereto, the undersigned bidder hereby states that he/she has carefully examined the **CONTRACT DOCUMENTS** and the party understands the provisions, requirement, terms and conditions thereof, all of which are acknowledged to be part of the **Bid Proposal**.

Further, he/she has become familiar with local conditions and the extent of work; has determined the required quality, quantity and sources of supply of all plant, equipment, materials, tools, supplies, labor and all other facilities and things necessary or proper or incidental to the continuous execution and completion of the work as required; and hereby agrees to perform the contract in strict accordance with the **CONTRACT DOCUMENTS**.

The undersigned bidder hereby agrees that the bid proposal submitted will remain in effect and binding upon the bidder for a period of 90 calendar days, from the date and time bids are received.

The undersigned bidder declares that his/her bid proposal in all respects is fair and made without collusion with any other person, firm, corporation making a proposal for this work. The bid may be summarized here.

<u>Year</u>	<u>Amount</u>	<u># of Hours</u>
2021	\$_____	_____
2022	\$_____	_____
2023	\$_____	_____

TOTAL CONTRACT PRICE (all three years):

(written)	(numeric)
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PROPOSAL FOR YEAR 1: Audit services to be summarized as follows:

Town accounts:	\$_____
Water Enterprise Fund:	\$_____
Sewer Enterprise Fund:	\$_____
Beach Enterprise Fund:	\$_____
Middlebridge Enterprise Fund:	\$_____

Federal Single audit:	\$_____
School department audit:	\$_____
Agreed-upon procedures fee:	\$_____
<i>TOTAL BID PROPOSAL – Year 1:</i>	<i>\$_____</i>

PROPOSAL FOR YEAR 2: Audit services to be summarized as follows:

Town accounts:	\$_____
Water Enterprise Fund:	\$_____
Sewer Enterprise Fund:	\$_____
Beach Enterprise Fund:	\$_____
Middlebridge Enterprise Fund:	\$_____
Federal Single audit:	\$_____
School department audit:	\$_____
Agreed-upon procedures fee:	\$_____
<i>TOTAL BID PROPOSAL – Year 2:</i>	<i>\$_____</i>

PROPOSAL FOR YEAR 3: Audit services to be summarized as follows:

Town accounts:	\$_____
Water Enterprise Fund:	\$_____
Sewer Enterprise Fund:	\$_____
Beach Enterprise Fund:	\$_____
Middlebridge Enterprise Fund:	\$_____
Federal Single audit:	\$_____
School department audit:	\$_____
Agreed-upon procedures fee:	\$_____
<i>TOTAL BID PROPOSAL – Year 3:</i>	<i>\$_____</i>

FORM FOR SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

	Town Hours	School Hours	Federal Award Hours	School UCOA Agreed- Upon Procedures	Total Hours	Standard Hourly Rates	Quoted Hourly Rates	Total
Partners								
Managers								
Senior								
Staff								
Other (specify):								
Subtotal								
Out of Pocket Expenses								

BUSINESS NAME: _____

ADDRESS: _____

SIGNED: _____

TITLE: _____

PRINT NAME: _____

DATE: _____

PHONE: _____

FAX: _____

E-MAIL: _____

FIN: _____
 (Federal ID Number)

State of Rhode Island

Uniform Chart of Accounts (UCOA)

Annual Compliance Testing Requirements

- Executive Summary
- Overview
- Compliance Testing Requirements
- Compliance Reporting Requirements
- Exhibit 1 – Sample Reporting Template

Office of the Auditor General

11/6/2020

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

EXECUTIVE SUMMARY:

The Office of the Auditor General (OAG) and the RI Department of Education (RIDE) assume responsibility for the sufficiency of the agreed-upon procedures (enclosed herein) for our purposes. The agreed-upon procedures (AUP) that were effective for fiscal 2019 engagements will continue to be effective for fiscal 2020 engagements. The revisions made in this fiscal 2020 document include the following updated references and clarifications to requirements, but no changes were made to the procedures:

- AUP #1: See Exhibit 1 – Specify the date of the UCOA file tested.
- We provide clarification related to AUP #2:
 - For school districts with a fiscal year end of June 30, the reconciliation between the audited financial statements and the UCOA file is not required to be presented in the AUP reporting package because a three-way reconciliation between the audited financial statements, the Municipal Transparency Portal (MTP) schedules, and the UCOA file would be presented in the audited financial statements as other supplementary information. It shall be noted in the AUP reporting package that the three-way reconciliation is presented in the audit report (see required statement in Exhibit 1).
 - For school districts that do not have a June 30 fiscal year end, charter schools, collaboratives, and State schools, the reconciliation between the audited financial statements and the UCOA file shall be reported in the AUP reporting package.
 - The second test under AUP #2 related to testing coding errors continues to be applicable to all school entities and the results of the testing shall be reported in the AUP report.
- AUP #3 – We added a link to RIDE’s listing of approved or provisionally approved Career and Technical Education Centers as of January 1, 2020.
- We include references to the applicable sections of the AICPA Codification of Statements on Standards for Attestation Engagements (SSAE). Please note SSAE No. 19 was issued December 2019 and revisions were made to those sections that will be effective for reports dated on or after **July 15, 2021**.

Please submit a copy of the UCOA Agreed-Upon Procedures Report to both the OAG and RIDE:

OAG

rina.dibenedetto@rioag.gov

Rina DiBenedetto
Office of the Auditor General
33 Broad Street, Suite 201
Providence, RI 02903

RIDE

william.trimble@ride.ri.gov

William Trimble
RI Department of Education
255 Westminster Street
Providence, RI 02903

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

OVERVIEW:

Each municipal school district, regional school district, collaborative, State school, or charter school, which is required to adopt the Uniform Chart of Accounts (UCOA), shall have additional compliance testing procedures designed to assess compliance with UCOA requirements and the entity's effectiveness of internal control over compliance with those requirements. The auditors engaged to perform the annual audit of the entity shall also be engaged to report on their tests of compliance with UCOA requirements in an agreed-upon procedures compliance attestation format.

A minimum sample of transactions shall be selected and tested for compliance with UCOA provisions. Additionally, selected UCOA compliance requirements shall be included within the agreed-upon procedures compliance work program.

The municipal school district, regional school district, collaborative, State school, or charter school shall provide the agreed-upon-procedures report along with the entity's audited financial statements to the Rhode Island Department of Education (RIDE) and the Office of the Auditor General by December 31 or at the conclusion of the annual audit if an extension has been approved by the Auditor General. For school districts, regional school districts, collaboratives, State schools, or charter schools which have adopted a fiscal year end other than June 30, the agreed upon procedures report shall also be provided by December 31 for the activity related to the year ended on the preceding June 30.

COMPLIANCE TESTING REQUIREMENTS:

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements– AT-C Section 105, *Concepts Common to All Attestation Engagements*; AT-C Section 215, *Agreed-Upon Procedures Engagements*; and AT-C Section 315, *Compliance Attestation*. The auditors shall comply with *Government Auditing Standards* requirements for agreed-upon procedures engagements; specifically, paragraphs 5.58 through 5.67 (Please Note – Starting with fiscal 2020 engagements, the auditors shall comply with the 2018 Revision of *Government Auditing Standards* (paragraphs 7.78 through 7.85)).

- 1. A minimum sample of randomly selected expenditure transactions for the municipal school district, regional school district, collaborative, State school, or charter school shall be tested for compliance with UCOA coding requirements.**

Select a sample of 35, 45, or 60 (see below) transactions from the universe of all expenditures in the final UCOA format upload file for the fiscal year as reported to the Rhode Island Department of Education (RIDE). A detailed transaction level file should be obtained from the entity's accounting system to correspond with the final UCOA upload file provided to RIDE for the preceding fiscal year. RIDE will provide a Validation Totals Report to each school district, collaborative, State school, and charter school to confirm the final upload file information. The sample of transactions to be tested for compliance with UCOA coding shall be selected randomly from the detailed transaction file for the fiscal year.

Alternatively, the auditor may obtain a preliminary fiscal year file from the reporting entity's accounting system for purposes of selecting a sample of transactions to test. When a preliminary file is used for selecting the sample, the auditor will be required to reconcile changes from the preliminary file to the

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

final validated upload file and determine the significance of any changes and assess the validity of the sample.

Sample size shall be determined as follows:

- Smaller school districts, regional school districts, collaboratives, State schools, or charter schools having aggregate fiscal year expenditures of less than \$5 million shall utilize a minimum sample size of **35** transactions to be tested for UCOA coding compliance.
- School districts, regional school districts, collaboratives, State schools, or charter schools, having aggregate fiscal year expenditures greater than \$5 million but less than \$50 million, shall utilize a minimum sample size of **45** transactions to be tested for UCOA coding compliance provided there are no significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit. School districts, regional school districts, collaboratives, State schools, or charter schools with expenditures greater than \$5 million which also have significant deficiencies and material weaknesses in internal control over financial reporting related to the accounting and financial reporting practices as reported in the current and prior audit shall utilize a minimum sample size of **60** transactions.
- School districts, regional school districts, collaboratives, State schools, or charter schools, having aggregate fiscal year expenditures greater than \$50 million, shall utilize a minimum sample size of **60** transactions to be tested for UCOA coding compliance.

Examine supporting vendor invoices, journal entries, and other supporting documentation to determine if the expenditure has been appropriately classified based upon UCOA classification requirements included in the Uniform Chart of Accounts guidance for the fiscal year. The segments of the account number to be tested for compliance shall include the following:

- Fund/Subfund
- Location
- Function
- Program
- Subject
- Object
- Job classification (for applicable personnel costs)

For personnel costs selected for testing, Location (school/department) and Job Classification shall be tested by tracing the employee name to the entity's assignment roster for the applicable school year.

All noncompliance found in the sample of expenditure transactions tested for compliance with UCOA classification requirements shall be reported. Each instance of noncompliance shall describe the transaction and the specific noncompliance observed.

- 2. UCOA accounts are used and UCOA methodologies are followed in the accounting system and records of each reporting entity. Determine if the entity's systems and procedures support the following UCOA requirements:**

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

- Total activity (revenue and expenditures) of the entity for the fiscal year as reported (uploaded) to the UCOA database as of the final upload date shall be reconciled to the total activity within each Fund/Subfund of the municipal school district, regional school district, collaborative, State school, or charter school as reported in the final audited financial statements.
- The UCOA accounts and methodologies are maintained within the actual accounting systems and are not converted to UCOA requirements outside of the accounting system.

Determine if any variance exists in revenue or expenditures between the total amounts reported (uploaded) to the UCOA database and audited amounts reported within the Fund/Subfund on the financial statements of the municipal school district, regional school district, collaborative, or charter school. Any variances shall be reported. A transfer of appropriations from the municipality's general fund to the unrestricted school fund is treated as revenue in the unrestricted school fund for UCOA reporting purposes and should be reported as a proper reconciling item.

Please Note:

- *The reporting entity will be required to amend its UCOA upload file to include final amounts which reflect audit adjustments, if applicable.*
- *For school districts with a fiscal year end of June 30, the reconciliation between the audited financial statements and the UCOA file is not required to be presented in the AUP reporting package because a three-way reconciliation between the audited financial statements, the Municipal Transparency Portal (MTP) schedules, and the UCOA file would be presented in the audited financial statements as other supplementary information. It shall be noted in the AUP report that the three-way reconciliation is presented in the audit report. All other school entities (i.e., school districts with a fiscal year end other than June 30, charter schools, State schools, and collaboratives) shall continue to include the reconciliation in the AUP report.*

Determine if the amounts reported (uploaded) to the UCOA database are present in form and content within the accounting system of the reporting entity by requesting a copy of the last report of coding errors identified by RIDE just prior to the final upload with zero errors. Trace to the corrections made to the school's accounting system to address the errors. All errors shall be tested, up to a maximum of five errors if more than five errors are listed.

3. Tuition costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting tuition costs:

- **Tuition costs may be charged to one of eight different expenditure object codes in the 55600 series, depending to whom the tuition payment is made (e.g., another school district within the State, a charter school, a private school, etc - refer to the gray box for details). In addition to tuition charges, the billings from an outside provider may also include costs for personal aides and other similar charges. Such charges are part of the services being provided to the student and should be captured in the same Object account for Tuition costs. This maintains consistency in application of costs of this nature.**

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

- For all Tuition accounts in the Object 55600 series, the Location will always be an Out-of-District account which will be limited to Location Types 07, 08, 10, 11, and 13.
- An Out-of-District Location is defined not by the geographic boundaries, but by who “owns” the Non-Public/Private School. By definition, all entities to which Tuition is paid are Out-of-District Locations. Accordingly, only Function 431 (Public, Parochial, Private, and Charter School Pass-Throughs) may be used with the Tuition Object codes in the 55600 series.
- The Tuition Object 55600 series may be used with any Fund Type except 40 (Debt Service Funds) and 90 (Agency Funds/Custodial Funds).
- For Special Education students, Program 20 is used for students who are district-placed or program 50 for students who are parentally-placed in the alternative location. For non-Special Education students, Program codes 30, 40, 50, or Program 10 series should be used. Program code 30 should be used for tuition payments (and other associated costs) for students to attend Career and Technical programs in other Districts or Charter Schools.
- Any Subject codes can be used with Tuition costs except 2701, 2702, 2703, 9700, 9800, and 9900. Subject Series 2100 is used for Special Education and 1400 series with Career and Technical programs.
- Only Job Classification code 0000 should be used with tuition payments.

Obtain an extract from the accounting system of all transactions posted to the 55600 series object codes (tuition expenditures):

- Select a random sample of 10 transactions. If tuition payments are posted to Program 10 (General Education), at least half of the sample (or five) shall be selected from Program 10. Transactions tested in Compliance Testing Requirement No. 1 may also be used to satisfy the compliance testing requirement for tuition payments if the selected transaction was posted to a tuition object code in the 55600 series.
- Examine the billing invoices (and any additional supporting documentation submitted by the provider) to determine if the expenditure was appropriately coded based upon UCOA rules for tuition payments. The segments of the account number to be tested include the following: object, location, fund, function, program, subject, and job classification codes. Particular attention shall be focused on the program segment and whether career and technical programs are appropriately coded as Program Code 30.

All noncompliance found in the sample transactions tested for compliance with UCOA classification requirements shall be reported. Each instance of noncompliance shall describe the transaction, including the dollar amount and the specific noncompliance observed.

UCOA Rules for Tuition Costs:

Object and Location Types: Use the following object code and location type for tuition costs:

<u>Object</u>	<u>Location Type</u>	<u>Description</u>
55610	Type 07	Tuition to Other School Districts within the State
55620	Type 13	Tuition to Other School Districts outside the State
55630	Type 08	Tuition to Non-Public/Private Schools
55640	Type 118XX	Tuition to Educational Service Agencies (Collaboratives) within the State
55650	Type 119XX	Tuition to Educational Service Agencies (Collaboratives) outside the State
55660	Type 10	Tuition to Charter Schools
55680	Type 07	Tuition to Other School Districts for Voucher Payments
55690	Types 07 - 11	Tuition – Other (Presently, Object 55690 has no identified locations and should not be used unless authorized by RIDE)

Fund: The above tuition object codes may be used with any Fund Type except 40 and 90.

Function: Use Function 431 only

Subject: Use any Subject except 2701, 2702, 2703, 9700, 9800, and 9900. Use Subject Series 2100 for Special Education. Refer to the General Function/Subject Rules and the required Location Type/Subject Rules for guidance on determining the proper Subject account(s) to use with Function and Location accounts, respectively.

Job Classification: Use Job Classification 0000 only

Program: For Special Education Students:

- Program 20 - for Students who are District-Placed (refer to UCOA Manual for the categories of services included in Special Education)
- Program 50 - for Students who are Parentally-Placed in the alternative location

For Non-Special Education Students:

- Program 10 Series - General Education
- Program 30 - Career & Technical
- Program 40 - Bilingual/ESL
- Program 50 - Non-public schools

Program Segment Rules:

DEFINITION: Program 10 - Regular Elementary/Secondary Education Programs. Program 10 (and subprograms 11-15) accounts include activities that provide students in pre-kindergarten through grade 12 with learning experiences to prepare them for further education or training and for responsibilities as citizens, family members, and workers.

- Program 10 series also include alternative education programs that focus on the educational needs of students at risk of failing or dropping out of school because of academic, behavioral, or situational factors. It is also used for programs associated with gifted and talented students, and Performance Based Graduation requirements.

- Regular programs are distinguished from special education programs that focus on adapting curriculum or instruction to accommodate a specific disability and from career/technical programs that focus on career skills.

DEFINITION: Program 30 - Career and Technical Education (CTE) Programs. CTE programs include activities delivered through traditional comprehensive and career-technical high schools, recognized charter schools, or campus-based classrooms that prepare students to meet challenging academic standards as well as industry skill standards while preparing students for broad-based careers and further education beyond high school in certain career cluster areas (refer to the UCOA Manual for a listing and description of the 16 career cluster areas).

Guidance on Using Program Accounts - The facts should be analyzed to determine the proper Program Account to be used in this order:

- Determine if the “specialized” Program accounts are applicable – if the activities are best addressed by the use of Program accounts such as Special Education (Program 20), Career and Technical Education (Program 30), or Programs 40 or 50, they should be used.
- Where none of the specialized accounts apply and the facts indicate that direct or indirect activities are related to General Education, Program 10 (including Program 11-15 as applicable) should be used.

If a District or Charter School has a Career and Technical Education Center (CTC) that has been approved or provisionally approved by RIDE, it must use Program 30 for those Subjects included in the Approved (or Provisionally Approved) CTC. In this case, the use of detail Subject accounts in the 1400 series is required. If a District provides classes in the Subject 1400 series that are not included in the Approved (or Provisionally Approved) CTC, then Program 10 should be used instead of Program 30. For those Districts or Charter Schools that do not have either an Approved or Provisionally Approved CTC, but have students who attend such classes in other Districts or Charter Schools, the specific ID for the Type 07 or Type 10 Locations with Program 30 and the specific Subject account in the 1400 series should be used. To determine if a school has an Approved or Provisionally Approved CTC, please contact the CTC Director of the school, CTC staff at RIDE, or a listing may be obtained on RIDE’s website:

As of January 1, 2020:

https://www.ride.ri.gov/Portals/0/Uploads/Documents/Students-and-Families-Great-Schools/Educational-Programming/Career-and-Tech/Approved_CTE_Programs_AY_2019.2020_ptm_final.pdf?ver=2019-12-23-135322-443

As of July 1, 2019:

https://www.ride.ri.gov/Portals/0/Uploads/Documents/Students-and-Families-Great-Schools/Educational-Programming/Career-and-Tech/Approved_CTE_Programs_AY_2019.20.pdf?ver=2019-07-23-143948-643

As of July 1, 2018:

https://www.ride.ri.gov/Portals/0/Uploads/Documents/Students-and-Families-Great-Schools/Educational-Programming/Career-and-Tech/2018-19ProgramApproval/Approved_CTE_Programs_AY_2017.2018_ptm.pdf

4. Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:

- **Benefit costs are to be charged in the same manner as are the directly-related compensation accounts – i.e., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Alternatively, the Allocation Holding Accounts, Location 99999 and Subject 9900 may be used where allowed by the applicable Object Intersection Rule for the Benefit Object selected. Healthcare benefit costs are to be allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.**
- **The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)**
- **Wages and related benefits for Short-term Substitute Teachers (Job Classifications 1295-1299) are charged only to Subject 0000 when used in conjunction with Function 112 (Substitutes). For those same Job Classification accounts when used with Function 221 (Curriculum Development) and Function 222 (In-Services, Staff Development and Support), wages and related benefits are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace. For the Subject segment for example, use Subject 1500 for Middle or High School Math, 0011 for Elementary School Math, and 0200 for Art for all School types.**
- **Long-term Substitute Teachers (Job Classification 1294) are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace.**
- **Wages and benefits for short-term substitute teacher support personnel are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which are applicable to the activity to which they are assigned.**
- **Wages and related benefits for pre-school teachers are charged to the appropriate 09xxx location code.**

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account.

Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit coding requirements of UCOA.

Determine if pre-school is offered by the entity.

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements and appropriate location code for pre-school teachers (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1).

If the entity is using the intra-fund UCOA Allocation Tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.

UCOA Rules to be Tested:

- ❖ *In all cases, compensation costs and related benefit costs for each employee must be accounted for in the same Fund/Subfund – they may not cross Funds. Districts may NOT account for the compensation in one Fund/Subfund and the benefits in another. For example, if 50% of an individual's salary is charged to the General Fund and 50% to a Special Revenue Fund, then the allocations of Benefits MUST follow the exact same percentages. When related to a particular grant, if the grant is insufficient to cover all the costs, the same prorated amount for each category (compensation and benefits) shall be used up to the limit of the grant.*
- ❖ *Charges to the Location segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines: For employees who perform their job requirements at multiple locations and performance of those duties requires a minimum of 20% of their time to any given Location those costs must be charged to the applicable Location accounts accordingly. If however, the performance of duties at any given Location is less than 20% of their time, charges to those locations are not required, but are permissible.*
- ❖ *Charges to the Function segment for Salary and Benefits for employees that perform multiple functions are to be recorded using the following guidelines: If an employee has a "Hands-On" relationship to multiple activities being performed and performance of those duties requires a minimum of 20% of their time to any given activity (Function), those costs must be charged to the appropriate Function accounts accordingly. If however, the role is more of an oversight role of supervising or managing others who perform the "Hands-On" work, is less than 20% of their time, charges to those Functions are not required, but are permissible.*
- ❖ *For Department Heads, House Leaders, and System-wide Supervisors, that portion of regular salary for teaching periods is charged to object 51110 (Regular Salaries); for non-teaching periods, that prorated portion is charged to Object 51132 (Department Heads, House Leaders, and System-wide Supervisors). Stipends for these positions are to be charged to Object 51401 (Stipend – Other).*
- ❖ *For Nurse Teachers, even if face-to-face teaching occurs, charge to Function 216 (Student Health Services – Medical), not Function 111 (Instructional Teachers).*

- ❖ *Nurses and other non-standard instructors included in Function 216 (Student Health Services – Medical) who teach classes representing **less** than 10% of their time must code instruction time to Subject 2500 (Non-Instruction) unless the application of the rule would violate a rule or rules of a higher authority – refer to the Account Level Use Rules and Requirements for the precedence order of UCOA Rules. Those that teach **more** than 10% of their time must record instruction time to Subject 0000 (General Education).*
- ❖ *For Short-Term Substitute Teachers (Job Classifications 1295-1299) with Function 112, use only Subject 0000 for all compensation and directly-related benefit accounts.*
- ❖ *For Long Term Substitute Teachers (Job Classification 1294) with Function 112, use the Subject for the job for which the Substitute has been engaged to teach for all compensation and directly-related benefit accounts.*
- ❖ *For all Substitute Teachers (Job Classifications 1294-1299) with Functions 221 and 222, use the appropriate Subject that is assigned to the Teacher for which the Substitute has been engaged to replace, for all compensation and directly-related benefit accounts. However, when a Substitute Teacher teaches multiple subject in a given day (e.g. Math and English), Subject 0000 may be used in place of the specific subject for which they are subbing. Use of this exception should be limited.*
- ❖ *Preschools (in District), i.e., Preschools that "belong" to the District. A Pre-school is defined as including only pre-school age groups. Mandatory Method Rule: If a Kindergarten class is included with a Pre-school location, that location will be considered to be an Elementary school (Location Type 03) for purposes of the UCOA. All other Preschools are considered Non-Public/Private Schools (Location Type 08) or a Location Type 09 (Preschools in District).*

5. Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for four of the five Object accounts:

- **Object 51113 represents the portion of a teacher's regular salary, as specified in a contract or agreement, for professional days.**
- **Object 51302 represents additional payments made to a teacher for attending school-based professional development.**
- **Object 51303 represents additional payments made to a teacher for attending District-based professional development.**
- **Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.**

A review of union contracts and the adopted budget will provide information related to professional development to be offered to teachers.

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

Review payroll records to verify compliance with UCOA rules for Objects 51113, 51302, and 51303. (This may be satisfied by testing one payroll record which includes postings to these Object accounts and which may have been selected in compliance testing requirement 1 or 4).

Select a sample size of 5 transactions posted to Object 53301 (If less than 5 total transactions, sample all transactions). Examine the supporting vendor invoice to identify the specific employee(s) receiving professional development services and trace the employee name to the payroll record to determine the Function account to which base wages (Object 51113) were charged. Verify the professional development costs were posted to the proper Function account based on the UCOA rules for the Function Series. (Expenditures selected in Compliance Testing Requirement No. 1 may be used to satisfy this compliance testing requirement.)

UCOA Rules to be Tested:

DEFINITION: Object 51113 - Professional Days. Full-time, part-time, and prorated portions of the costs for professional development days for employees of the District.

- Include in **Object 51113** (Professional Days) the amount prorated from Object 51110 (Regular Salaries) the actual number of days included in applicable contracts and agreements relating to Professional Days or Professional Development or prorated based on the anticipated number of days if not specified in the contracts.
- For **Object 51113**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series. For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series. Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used. For each employee, use the same Location, Program, Subject, and Job Classification account number as is used with Object 51110 (Regular Salaries).

DEFINITION: Object 51302 – Professional Development - School. Amounts paid to District employees (in addition to regular salaries) for professional development that is related to School-based (and budgeted at the School level) professional development.

DEFINITION: Object 51303 – Professional Development - Districts. Amounts paid to District employees (in addition to regular salaries) for professional development that is related to District-based (and budgeted at the District level) professional development.

- For **Objects 51302 and 51303**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series.

For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series.

For Out-of-District Locations, use Function 431 only.

Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used.

For employees whose Function account is in the 100 or 200 Series, 511, or 512, as used with Object 51110 (Regular Salaries), use the specific Subject account for the subject they have received Professional Development known as the "Follow the Topic" Concept. If not Subject-specific, for General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500.

*For employees whose Function account is in the 300 or 400 Series, 521, 531, or 532, as used with Object 51110 (Regular Salaries), use Subject 2500 **only**.*

DEFINITION: Object 53301 – Purchased Professional Development and Training Services. Services supporting the professional development and training of District personnel, including instructional and administrative employees. Also applies to fees paid to consultants who attend training sessions provided by the District.

- *For **Object 53301**, use Function 222 only for employees whose Regular Salary (Object 51110) is charged to the 100 and 200 Function Series.*

For all others, use the same Function account used for their Regular Salary in the 300, 400, and 500 Series.

For Out-of-District Locations, use Function 431 only.

Functions 000, 411, 421, 422, 441, 997, 998, and 999 may not be used.

Use the specific Subject account for the Subject to which Professional Development Services are rendered ("Follow the Topic"). For General Education courses related to Instruction, use Subject 0000. For courses not related to Instruction, use Subject 2500. Subjects 9700, 9800, and 9900 may not be used.

COMPLIANCE REPORTING REQUIREMENTS:

Auditors shall follow the guidance included in the AICPA Codification of Statements on Standards for Attestation Engagements AT-C Section 105, *Concepts Common to All Attestation Engagements*; AT-C Section 215, *Agreed-Up Procedures Engagements*; and AT-C Section 315, *Compliance Attestation*. The auditors shall comply with *Government Auditing Standards* requirements for agreed-upon procedures engagements; specifically, paragraphs 5.58 through 5.67 (Please Note – Starting with fiscal 2020 engagements, the auditors shall comply with the 2018 Revision of *Government Auditing Standards* (paragraphs 7.78 through 7.85)).

The auditor shall provide a written report in accordance with the applicable sections of the Statements on Standards for Attestation Engagements and *Government Auditing Standards*, as highlighted above.

Refer to Exhibit 1 for the agreed-upon procedures and the format for reporting the procedures performed and results of testing.

Additionally, any noncompliance with UCOA requirements and the effectiveness of the entity's internal control over compliance with UCOA requirements should be considered in drafting the Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Management comments provided to the entity should be inclusive of any recommendations to improve compliance or controls over compliance with UCOA requirements.

Independent Accountant's Report on Applying Agreed-Up Procedures - SAMPLE REPORT **

We have performed the procedures enumerated in Exhibit 1, which were agreed to by the Rhode Island Department of Education (RIDE) and the Rhode Island Office of the Auditor General, related to (name of entity)'s compliance with the Uniform Chart of Accounts during the fiscal year ended June 30, 20xx and the (entity's) internal control over compliance with the aforementioned compliance requirements as of June 30, 20xx. The (entity's) management is responsible for its compliance and internal control over compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Exhibit 1 either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to agreed-upon procedures engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance and internal control over compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Rhode Island Department of Education, the Entity, and the Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

** For sample Independent Accountant's Report dated on or after July 15, 2021, refer to Exhibit in Statements on Standards for Attestation Engagements (SSAE) No. 19:

<https://www.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/ssae-19.pdf>

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

EXHIBIT 1 – Sample Reporting Template

REQUIREMENT 1:

A minimum sample of randomly selected expenditure transactions for the municipal school district, regional school district, collaborative, State school or charter school shall be tested for compliance with UCOA coding requirements.

PROCEDURES:

Obtain a copy the school entity's signed acknowledgment of the UCOA File Validation Totals Report received from the RI Department of Education (RIDE). Obtain a detailed transaction level file from the school entity's accounting system which corresponds with the final UCOA upload file provided to RIDE.

Describe procedures for selecting the sample, the sample size selected, and the tests performed in accordance with the criteria outlined on pages two and three of this document. Please note - If a preliminary fiscal year file is used for selecting the sample, reconcile changes from the preliminary file to the final validated upload and determine the significance of any changes and assess the validity of the sample.

RESULTS:

Specify the date of the UCOA file tested: _____.

For each instance of noncompliance, enter the transaction detail in the table below. Highlight the account number segment that is not in compliance, as shown in the example below. Describe the purpose of each transaction, the error(s), and correction(s) immediately following the table. Rows may be added or deleted from the table, as necessary.

Item	Fund/ Subfund	Location	Func	Prog	Subject	Object	Job Class (personnel costs only)	Date	Payee	Amt	Corrected per final UCOA file
A	10000000	05105	214	10	2500	51110	1712	03/15/12	Nurse Employees	\$5,000.00	Yes
B	XXXXXXXX	XXXXX	XXX	XX	XXXX	XXXX	XXXX	XXXXXX	XXX	XXXXXX	Yes/No
C	XXXXXXXX	XXXXX	XXX	XX	XXXX	XXXX	XXXX	XXXXXX	XXX	XXXXXX	Yes/No

A – The regular salaries for nurse employees were charged to Function 214, but should have been charged to Function 216.

B -

C -

SCHOOL RESPONSE: (if applicable)

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

REQUIREMENT 2:

UCOA accounts are used and UCOA methodologies are followed in the accounting system and records of each reporting entity. Determine if total activity (revenue and expenditures) for the fiscal year as reported (uploaded) to the UCOA database, as of the final upload date, reconciles to the total activity within each Fund/Subfund as reported in the final audited financial statements and if the amounts reported (uploaded) to the UCOA database are present in UCOA form, content and amounts within the accounting system of the reporting entity.

PROCEDURES:

Subtotal the final UCOA upload file by revenues and expenditures under each Fund/Subfund and reconcile to the audited financial statements (GAAP-basis). The following template should be used for reporting the reconciliation between the UCOA upload file and the audited financial statements. Trust and Agency Funds are to be excluded from the reconciliation. Transfer of appropriations from the municipality's general fund to the unrestricted school fund are treated as revenue in the unrestricted school fund for UCOA reporting and should be reported as a proper reconciling item.

Please note – For school districts with a fiscal year end of June 30, the reconciliation between the audited financial statements and the UCOA file is not required to be presented in the AUP reporting package because a three-way reconciliation between the audited financial statements, the Municipal Transparency Portal (MTP) schedules, and the UCOA file would be presented in the audited financial statements as other supplementary information. It shall be noted in the AUP report that the three-way reconciliation is presented in the audit report. All other school entities (i.e., school districts with a fiscal year end other than June 30, charter schools, State schools, and collaboratives) shall continue to include the reconciliation in the AUP report.

Request from RIDE a copy of the reporting entity's last error report just prior to the school's final UCOA file upload with zero errors. Trace the errors listed on the report to the corrections made within the accounting system for the same reporting period. (Please Note - If the error report lists more than five coding errors, a maximum sample of five errors shall be tested.)

RESULTS:

For school districts with a fiscal year end of June 30, please make the following statement:

A three-way reconciliation between the audited financial statements, the Municipal Transparency Portal schedules, and the UCOA file is presented in the audit report of the municipality (or the regional school) as supplementary information.

For school districts with a fiscal year end other than June 30 and other school entities:

Variances between the UCOA upload file and audited financial statements shall be identified in the following reconciliation template.

For all school entities:

Describe the results from tracing the UCOA coding errors identified in the upload process to the corrections posted in the accounting system. Specifically identify in detail any coding errors that were not corrected in the accounting system.

SCHOOL RESPONSE: (if applicable)

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

UCOA - Agreed-upon Procedures - reconciliation template		
UCOA annual upload file reconciled to audited financial statements		
	Revenues	Expenditures/Expenses
Amounts from the audited financial statements (funds that include activity included in the total UCOA upload file):		
Unrestricted School Fund	X	X
School special revenue funds	X	X
School capital project funds	X	X
School Enterprise funds (School Lunch operations)	X	X
Other: <i>(identify fund)</i>	X	X
Other: <i>(identify fund)</i>	X	X
Total		
Adjustments/reconciling items:		
Less: State share of teacher pension contribution - on-behalf payments	X	X
Less: State share of transportation - on-behalf payments	X	X
Add: Local appropriation to schools reflected as a transfer on financial statements and revenue per UCOA	X	
Less: indirect cost recoveries included as revenue in unrestricted school fund	X	
Less: GAAP recording of capital lease - capital outlay expenditures		X
Add: Use of fund balance reported as revenue in UCOA	X	
Other reconciling items		
Other reconciling items		
Adjusted totals		
UCOA - final upload file (including final audit adjustments)		
specify upload date _____		
Adjustments/reconciling items:		
Adjusted totals		
Unreconciled variance	0	0
Revised October 2016		

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

REQUIREMENT 3:

Tuition costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting tuition costs:

- a. Tuition costs may be charged to one of eight different expenditure object codes in the 55600 series, depending to whom the tuition payment is made (e.g., another school district within the State, a charter school, a private school, etc.). In addition to tuition charges, the billings from an outside provider may also include costs for personal aides and other similar charges. Such charges are part of the services being provided to the student and should be captured in the same Object account for Tuition costs. This maintains consistency in application of costs of this nature.
- b. For all Tuition accounts in the Object 55600 series, the Location will always be an Out-of-District account which will be limited to Location Types 07, 08, 10, 11, and 13.
- c. An Out-of-District Location is defined not by the geographic boundaries, but by who “owns” the Non-Public/Private School. By definition, all entities to which Tuition is paid are Out-of-District Locations. Accordingly, only Function 431 (Public, Parochial, Private, and Charter School Pass-Throughs) may be used with the Tuition Object codes in the 55600 series.
- d. The Tuition Object 55600 series may be used with any Fund Type except 40 (Debt Service Funds) and 90 (Agency Funds/Custodial Funds).
- e. For Special Education students, Program 20 is used for students who are district-placed or program 50 for students who are parentally-placed in the alternative location. For non-Special Education students, Program codes 30, 40, 50, or Program 10 series should be used. Program code 30 should be used for tuition payments (and other associated costs) for students to attend Career and Technical programs in other Districts or Charter Schools.
- f. Any Subject codes can be used with Tuition costs except 2701, 2702, 2703, 9700, 9800, and 9900. Subject Series 2100 is used for Special Education and 1400 series with Career and Technical programs.
- g. Only Job Classification code 0000 should be used with tuition payments.

PROCEDURES:

Obtain an extract from the accounting system of all transactions posted to the 55600 series object codes (tuition expenditures):

- Select a random sample of 10 transactions. If tuition payments are posted to Program 10 (General Education), at least half of the sample (or five) shall be selected from Program 10. Describe procedures for selecting the random sample. Transactions tested in Compliance Testing Requirement No. 1 may also be used to satisfy the compliance testing requirement for tuition payments if the selected transaction was posted to a tuition object code in the 55600 series.
- Examine the billing invoices (and any additional supporting documentation submitted by the provider) to determine if the expenditure was appropriately coded based upon UCOA rules for

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

tuition payments. The segments of the account number to be tested include the following: object, location, fund, function, program, subject, and job classification codes. Particular attention shall be focused on the program segment and whether career and technical programs are appropriately coded as Program Code 30.

RESULTS:

Describe procedures for selecting the sample and describe how many transactions were selected from each program code.

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 4:

Payroll costs are subject to various UCOA coding requirements. Determine if the entity's procedures for payroll related costs support the following UCOA requirements:

- a. Benefit costs are to be charged in the same manner as are the directly-related compensation accounts – i.e., to the same Fund/Subfund, Location, Function, Program, Subject, and Job Classification and in the same proportion when allocated to more than one Fund/Subfund. Alternatively, the Allocation Holding Accounts, Location 99999 and Subject 9900 may be used where allowed by the applicable Object Intersection Rule for the Benefit Object selected. Healthcare benefit costs are to be allocated consistent with the employees' wages based on actual insurance premiums or, in the case of employers who are self-insured, based on working rates.
- b. The entity has made a determination as to whether any employee meets the conditions that would require allocation of salary and benefits to more than one Fund/Subfund, Location, Function, Program, or Subject and has supporting documentation for that determination, (e.g., department heads, nurses who also teach, etc.)
- c. Wages and related benefits for Short-term Substitute Teachers (Job Classifications 1295-1299) are charged only to Subject 0000 when used in conjunction with Function 112 (Substitutes). For those same Job Classification accounts when used with Function 221 (Curriculum Development) and Function 222 (In-Services, Staff Development and Support), wages and related benefits are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace. For the Subject segment for example, use Subject 1500 for Middle or High School Math, 0011 for Elementary School Math, and 0200 for Art for all School types.
- d. Long-term Substitute Teachers (Job Classification 1294) are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which were used for the class for which the Substitute Teacher has been engaged to replace.

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

- e. Wages and benefits for short-term substitute teacher support personnel are to be charged to the appropriate accounts for Fund/Subfund, Location, Program, and Subject which are applicable to the activity to which they are assigned.
- f. Wages and related benefits for pre-school teachers are charged to the appropriate 09xxx location code.

PROCEDURES:

Determine whether the entity's payroll system directly interfaces with the entity's general ledger accounting system and whether it is designed to post directly to the appropriate UCOA account or if there are a significant amount of manual adjustments and journal entries to allocate payroll related cost to the appropriate UCOA account. Determine if the entity has reasonable and sufficient procedures in place to meet the payroll and related benefit requirements of the UCOA.

Determine if pre-school is offered by the entity.

Review one payroll period posting to assess compliance with UCOA payroll allocation requirements and appropriate location code for pre-school teachers (this may be satisfied through payroll transactions tested in the sample of transactions tested for compliance in compliance testing requirement No. 1). Describe sample selection process. (Please note - If the entity is using the intra-fund UCOA allocation tool, allocations are performed within the UCOA database and therefore testing is not required for benefit allocations made within that Fund/Subfund.)

RESULTS:

Describe payroll system and whether the system interfaces directly with the general ledger system and whether it is designed to post directly to the proper UCOA code or if there are a significant amount of manual adjustments and journal entries to allocate payroll costs. Conclude if the entity's procedures are reasonable and sufficient to meet the payroll and related benefit requirements of UCOA.

Indicate whether the school entity has a pre-school program.

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

REQUIREMENT 5:

Professional Development costs are subject to various UCOA coding requirements. Determine if the entity has complied with the UCOA requirements for reporting Professional Development costs for four of the five Object accounts:

Uniform Chart of Accounts (UCOA) – Annual Compliance Testing Requirements

- a. Object 51113 represents the portion of a teacher's regular salary, as specified in a contract or agreement, for professional days.
- b. Object 51302 represents additional payments made to a teacher for attending School-based professional development.
- c. Object 51303 represents additional payments made to a teacher for attending District-based professional development.
- d. Object 53301 represents third-party vendor costs (on-site or off-site) for providing professional development. For instruction-related personnel, the professional development costs should be posted to Function 222. For all other personnel, the professional development costs should be posted to the same Function account as the base wages.

PROCEDURES:

Review union contracts and adopted budget to identify professional development offered to teachers.

Review payroll records to verify compliance with UCOA rules for Objects 51113, 51302, and 51303. (This may be satisfied by testing one payroll record which includes postings to these Object accounts and which may have been selected in compliance testing requirement 1 or 4).

Describe procedures for selecting a sample of transactions posted to Object 53301 (Expenditures selected in Compliance Testing Requirement No. 1 may be also used to satisfy this compliance testing requirement). Examine the supporting vendor invoice to identify the specific employee(s) receiving professional development services and trace the employee name to the payroll record to determine the Function account to which base wages (Object 51113) were charged. Verify the professional development costs were posted to the proper Function account based on the UCOA rules for the Function Series.

Describe any additional procedures performed.

RESULTS:

Describe results of compliance tests performed. Each instance of noncompliance shall describe the transaction detail (including dollar amount) and the specific noncompliance observed. Also, please note whether the error was corrected in the final upload file.

SCHOOL RESPONSE: (if applicable)

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